PROPERTY TAX APPEAL BOARD'S DECISION

APPELLANT: Weder, Inc.
DOCKET NO.: 05-00461.001-C-1
PARCEL NO.: 01-2-24-06-00-000-014

The parties of record before the Property Tax Appeal Board are Weder, Inc., the appellant, by George Filcoff, Jr. of Callis, Papa, Hale, Szewczyk, Rongey & Danzinger, P.C., Granite City, Illinois; and the Madison County Board of Review.

The subject property consists of an 81,126 square foot manufacturing and warehouse facility of concrete block construction. The structure was built in phases with the original portion constructed in 1965 with additions in 1974 and 1983. The building contains a loading dock with a below grade truck well, a sprinkler fire protection system and has clear ceiling heights ranging from 12 to 14 feet. The subject property is composed of two parcels containing 7.09 acres located in Highland, Helvetia Township, Madison County. However, only one parcel was appealed.

The appellant appeared before the Property Tax Appeal Board by counsel arguing the subject's assessment is not reflective of its fair cash value. In support of this claim, the appellant submitted an appraisal estimating that the subject property had a fair market value of $375,000 as of January 1, 2004, using the three traditional approaches to value. Although only one parcel was appealed, the appellant's appraisal report encompassed two parcel numbers. (01-2-24-06-00-000-014 and 01-2-24-06-00-000-015).

At the commencement of the hearing, the Board's Hearing Officer noted the Illinois Property Tax Appeal Board issued a decision lowering the assessment of the subject property to $221,450 based upon the equity and the weight of the evidence the prior assessment year under Docket Number 04-00563.001-C-2. In reviewing the appeal, the Board's Hearing Officer noted the evidence in this 2005 appeal was the same as presented in the

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Based on the facts and exhibits presented, the Property Tax Appeal Board hereby finds **no change** in the assessment of the property as established by the **Madison** County Board of Review is warranted. The correct assessed valuation of the property is:

LAND:	$	25,040
IMPR.:	$	184,710
TOTAL:	$	209,750

Subject only to the State multiplier as applicable.

2004 appeal. Counsel for the appellant agreed that the evidence was the same as in the prior year, however, the appellant wished to expand the testimony from John M. Brendel, the appellant's appraiser. Counsel argued the condition of the subject's roof in the prior year's hearing was not made clear. Counsel opined the Hearing Officer did not adequately consider the condition of the subject's roof in the prior year's appeal. When questioned, counsel contends the Property Tax Appeal Board issued an incorrect decision for the subject property the prior year, but he had not appeal the Board's decision under the provisions of the Administrative Review Law (735 ILCS 5/3-101 et seq.) and section 16-195 of the Property Tax Code. (35 ILCS 200/16-195).

At the hearing, counsel tendered two new exhibits. Exhibit 1 was a proposal to repair/replace the subject's roof for an estimated cost of $315,000. Exhibit 2 was photographs of the subject's trucking dock and well.

John M. Brendel, a state licensed appraiser, was called as the appellant's expert witness without objection. Brendel testified the subject's concrete block construction was popular prior to the 1970's, but since then there are more modern building methods that require less maintenance. He testified structures made of concrete block like the subject require periodic tuck-pointing, so they become more obsolete. The appraiser also discussed the subject's low ceiling height when compared to more modern constructed buildings. The appraiser next referred to a photograph within the appraisal report depicting some deterioration along the roof line. From the interior, the appraiser testified there were signs of the roof's deterioration and corrosion, noting some water stains on the floor. The appraiser also noted the subject's floor had ripples and cracks making it difficult for machinery to traverse the property. The appraiser was presented photographs of the trucking well showing water stains due to standing water after rains due to a lack of a drain. The appraiser testified this factor could potentially be a detractor to a potential buyer because standing water could cause damage to the wheels, hubs, and bearings of shipping trailers.

The appraiser next referred to Exhibit 1, the proposal to repair/replace the subject's roof for $315,727 as of September 10, 2004. The appraiser testified no repairs have been made to the subject's roof. The appraiser acknowledged his value conclusion before roof repair would be $690,000, but a $315,000 deduction should be applied for the roof repair as any willing buyer or seller would have to reduce the sale price of the property or the seller would give the buyer a credit for the repair. As a result, Brendel concluded the subject property has a fair market value of $375,000 given its roof condition. The appraiser further testified there is not very much demand for properties like the subject due to its construction quality. He testified typical demand for manufacturing and warehouse property are for more modern clear span tilt-up concrete building or amore modern metal building with clear ceiling heights from 25 to 30 feet.

The appraiser next provided testimony in connection with the three approaches to value that he prepared. Under the cost approach to value, the appraiser concluded a value of $330,000, which included a curable physical depreciation deduction of $315,000 to account for the subject's roof condition. Under the income approach to value, the appraiser developed an initial value of $670,000. From this amount, the appraiser deducted $315,000 to account for the subject's roof condition resulting in a final value conclusion of $355,000 under the income approach. Under the sales comparison approach to value, the appraiser calculated an initial value of $690,000. Again, the appraiser deducted $315,000 to account for the subject's roof condition resulting in a final value conclusion of $375,000 under the sales comparison approach. In reconciliation, the appraiser gave little emphasis to the cost approach; total confidence was withheld from the income approach due to the subjectivity of the capitalization rate; and the sales comparison approach was considered a good indicator of value. Thus, secondary weight was placed on the cost and income approaches to value with most emphasis placed on the sales comparison approach in arriving at a final value estimate for the subject property of $375,000 as of January 1, 2004.

Under questioning, the appraiser acknowledged under the income and sales comparison approaches that he adjusted the comparables for condition when compared to the subject. However, the appraiser testified if there is a significant amount of curable depreciation, in this case roof repair, that amount can be deducted from all three approaches initial value conclusion. Prior to deduction for roof repair, the appraiser testified the adjustments were based as if the subject property's roof was in standard usable condition and not in an advanced state of disrepair. With respect to comparable sale 4 located in Venice, Illinois, which was also used by the board of review's appraiser, the appraiser testified its roof was demolished in a thunderstorm. He was unsure if the roof collapse occurred in 2004 or 2005 but opined the collapse occurred after its sale in 2001 for $850,000 or $7.45 per square foot of building area.

The board of review submitted its "Board of Review Notes on Appeal" wherein the subject's assessment of $209,750 was disclosed. The subject's assessment reflects an estimated market value of $628,559 using Madison County's 2005 three-year median level of assessments of 33.37%.

In support of the subject's assessment, the Chairman for the Madison County Board of Review, Kerry Miller, offered testimony and presented an appraisal of the subject property prepared by Barry T. Loman. Loman was present at the hearing and is a state licensed appraiser who holds several professional designations in the field of real estate valuation. The appellant's counsel stipulated to Loman's qualifications to provide expert valuation testimony. Loman estimated the subject's fair market value to be $730,000 as of January 1, 2004, using the three traditional approaches to value.

Although only one parcel was appealed, Miller explained Loman's appraisal report is composed of two parcels in which the subject property is situated. Miller explained the adjoining parcel (01-2-24-06-00-000-015) has an assessment of approximately 21,710 which reflects an estimated market value of $65,000. He was of the opinion that the appropriate manner to value the subject parcel in this appeal was to deduct the estimated market value from the parcel not under appeal from the conclusion of value developed by Loman. As in the 2004 appeal, the appellant's counsel raised no objection with this process. Deducting the $65,000 from Loman's value conclusion of $730,000 resulted in residual value for the parcel under appeal of $665,000, which is higher than the subject's estimated market value as reflected by the assessment for parcel 01-2-24-06-00-000-014.

As pointed out by the appellant's counsel, board of review Chairman Kerry Miller testified the value conclusions of both Brendel and Loman are not far apart prior to the consideration for the roof adjustment. Under the cost approach, Loman developed a value of $719,000 after the $65,000 adjustment for the second parcel whereas Brendel calculated a value of $645,000 prior to the adjustment for the roof. Under the income approach, Loman developed a value of $693,200 after the adjustment for the second parcel whereas Brendel calculated a value of $670,000 prior to the adjustment for the roof. Under the sales comparison approach, Loman developed a value of $665,000 after the adjustment for the second parcel whereas Brendel calculated a value of $690,000 prior to the adjustment for the roof.

With regard to common comparable sale used by both appraisers that is located in Venice, Illinois, Miller testified only a portion of its roof collapsed in 2005 after a thunderstorm. Miller testified he is familiar with this property through the appeal process over the last 15 years. Miller testified that as of its date of sale in 2001, this comparable's roof was in poor condition. Miller further explained the owners of the comparable made the decision not to repair the section of the structure where the roof collapsed, but rather demolish that portion of the building. Thus, the board of review reduced the comparable's assessment the subsequent year due to a loss of square footage. Miller acknowledged the subject's roof is in poor condition, but disputed the methodology for assessment purposes on how to treat the condition of the roof and the estimated cost to cure the roof problem.

Miller argued that if the Board determined an adjustment is justified for the roof, it is the county's position that a one time market value adjustment of $315,000 should not be used, but this amount should be pro-rated over the 20 year life of the roof. In other words, Miller testified when measuring depreciation of a short life or long life individual items, the depreciated value should be spread out over the life of that particular item.

Loman was next called as a witness. He testified he inspected the subject property sometime in 2003 and again in November 2004. Loman agreed based on his interior inspection there were some areas of the subject's roof needing repair noting some small areas with standing water. Loman testified he reviewed the proposal for the replacement cost of the subject's roof and found it to be detailed, professional and proper. Loman testified he found the concrete flooring had some cracking in a normal way for a 40 year old property, but he observed forklifts traversing the flooring. Thus, Loman testified he did not see any indication the cracked flooring caused problems with production. Loman testified he observed two feet of standing water in the truck wells and did not see any loading or unloading. However he did not know if the standing water affected operations.

Under the cost approach, Loman first utilized six land sales to estimate the value for the subject's 6.9 acre site of $151,800. The appraiser next used the Marshal Valuation Service to estimate the reproduction costs new of the improvements of $3,585,448. He explained he used reproduction costs rather than replacement costs due to considerations for functional obsolescence. He explained the main difference between reproduction and replacement costs in that reproduction is an exact replica with built in obsolescence whereas replacement costs uses more modern building techniques that are fully functional without obsolescence. Using the age life method of depreciation, the appraiser calculated the subject property suffered physical deprecation of 83% or $2,795,922 resulting in a depreciated cost new for the improvements of $609,526. Adding the land value of $151,800 and the contributory value of the steel bins of $22,610, Loman arrived at a final value estimate under the cost approach of $784,000.

Under the sales comparison approach, the appraiser analyzed five suggested comparable sales. Four sales were located in Highland and one sale was located in Venice. Brendel also used sales 1, 2 and 5. The suggested comparables consist of industrial properties with structures ranging in size from 7,320 to 195,298 square feet of building area. The four properties located in the Highland area were constructed from 1956 to 1983, with the property located in Venice constructed in 1940. The comparables have clear ceiling heights ranging from 10 to 24 feet and office areas ranging from 7% to 7.04% of the total building area. The properties sold from July 1999 to October 2003 for prices ranging from $175,000 to $3,906,000 or from $7.45 to $23.91 per square foot of building area including land. The appraiser testified the property in Venice was important to consider because he actually inspected the property on several occasions and found it had ongoing roof problems when it sold in December 2001 for $850,000 or $7.45 per square foot of building area including land. Loman testified this property was very useful because of its similarity when compared to the subject in use, size and poor roof condition. Loman noted this property had 10 and 20 foot clear ceiling heights, but was older than the subject. Loman also testified the Venice property had some environmental contamination problems; it is located in an area with high crime; surrounding properties are deteriorating; and lacks good access to the highway system. Loman opined these factors might have caused its lower sale price in relation to the other comparable properties.

After considering adjustments to the comparables for differences when compared to the subject, the appraiser concluded a value estimate for the subject of $9.00 per square foot of building area including land or $730,000 under the sales comparison approach.

Under the income approach to value, the appraiser utilized three rental comparables located in Highland, Milstadt, and Granite City. The rental comparables range in size from 22,500 to 168,456 square feet of building area; had clear ceiling heights from 18 to 24 feet; and office area ranging from 2% to 9% of the total building area. Rental rates ranged form $2.35 to $4.04 per square foot of building area. The appraiser opined these properties were superior to the subject. Based on this data, Loman estimated the subject has a market rent of $1.50 per square foot of building area resulting in a potential gross income of $121,869. The appraiser deducted 10% to account for vacancy and collection loss in arriving at an effective gross income of $102,520. Expenses were estimated to be 10%, which included a reserves for replacement allowance, resulting in a net operating income of $98,568. Loman explained the normal appraisal practice and the correct way to handle the subject's poor roof, similar to short-lived items such as floor covering or heating and cooling systems, was to expect the owner to properly manage the property and annually set aside funds for repairs, as in the reserves for replacement under the income approach.

Using the band of investments technique, the appraiser calculated a capitalization rate of 11%. The appraiser then added 2% to account for the risk factor associated with the nature of the subject property in its current condition in arriving at an overall capitalization rate of 13%, excluding a factor for the effective tax rate. Capitalizing the subject’s net income of $98,568 by 13% resulted in an estimated market value of $758,200 under the income approach.

In reconciling the valuation methods, the appraiser gave the sales comparison approach greatest weight. Little weight was placed on the cost approach. As a result, the appraiser concluded the subject property has a fair market value of $730,000 as of January 1, 2004.

During his testimony, Loman testified he his not familiar with the practice of deducting or making a one time lump sum deductions for a particular item from an initial valuation conclusion. He explained that in normal appraisal practice a specific item such as a poor roof would be part of the deprecation line in the cost approach. However, under the sales comparison approach, the poor roof would be considered in the adjustment process made to the comparable sales. Under the income approach, consideration for a poor roof would be accounted for in the rents received and the amount of funds put into reserves for replacement.

Under cross-examination, Loman agreed the property in Venice had only a partial roof collapse. He disagreed that the subject's entire roof needed repaired. The issue of expenses under the income approach was next discussed. The appellant's counsel pointed out using the monthly allotted expenses of $10,952 calculated by Loman, which included a reserve to replace the roof, equates to approximately $300,000 over 30 years, which does not even cover the proposal for roof repair or any other items that may need repaired. Loman agreed the subject is owner occupied. During examination, there was much discussion regarding about how new improvements are assessed by county assessment officials, noting they are not spread out over a number of years. However, Miller clarified the difference between maintenance and capital improvements. In addition, Miller testified assessments are not adjusted upward for maintenance.

After reviewing the record and considering the evidence, the Property Tax Appeal Board finds that it has jurisdiction over the parties and the subject matter of this appeal. The Property Tax Appeal Board further finds no reduction in the subject's assessment is warranted.

First, the Board finds that prior to the commencement of the hearing, the appellant's counsel attempted to submit a "corrected appraisal" of the subject that was prepared by Brendel due to "typographical errors". These corrections occurred after the Property Tax Appeal Board issued its 2004 decision regarding the subject property under Docket Number 04-00563.001-C-2. The Board's Hearing Officer did not mark this document as an exhibit nor admit the revised appraisal into the record pursuant to section 1910.67(k) of the Official Rules of the Property Tax Appeal Board, which provides:

> In no case shall any written or documentary evidence be accepted into the appeal record at the hearing unless:
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> 1) Such evidence has been submitted to the Property Tax Appeal Board prior to the hearing pursuant to this Part;
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> 2) The filing requirement is specifically waived by the Board; or
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> 3) The submission of the written or documentary evidence is specifically ordered by the Board or Hearing Officer. (86 Ill.Adm.Code §1910.67(k)).

The appellant argued the subject property is overvalued. When market value is the basis of the appeal, the value must be proved by a preponderance of the evidence. Winnebago County Board of Review v. Property Tax Appeal Board, 313 Ill.App.3d 179, 183, 728 N.E.2d 1256 (2nd Dist. 2000). The Board finds the appellant has not overcome this burden.

In support of the overvaluation claim, the appellant submitted an appraisal and testimony from the appraiser estimating the subject property had a fair market value of $375,000 as of January 1, 2004. The board of review submitted an appraisal and testimony from the appraiser estimating the subject property had a fair market value of $730,000 as of January 1, 2004. Each appraiser identified the subject property as being composed of two parcel identification numbers of 01-2-24-06-00-000-014 and 01-2-24-09-00-000-015. However, only parcel number 01-2-24-06-00-000-014 was appealed to the Property Tax Appeal Board pursuant to the Property Tax Code. The board of review offered testimony that parcel 01-2-24-09-00-000-015 has an assessment of approximately $21,710, which reflects an estimated market value of approximately $65,000. The parties agreed that $65,000 should be deducted from the Board's finding of market value based on the appraisals to arrive at the assessment for parcel 01-2-24-06-00-000-014. Deducting the $65,000 from both appraisals results in estimated market values of $310,000 based on the Brendel report and $665,000 for the Loman report. The subject's assessment of $209,750 reflects an estimated market value of $628,559 using Madison County's 2005 three-year median level of assessments of 33.37%.

After a review both appraisals and considering the testimony offered by both appraisers, the Property tax Appeal Board finds the best evidence of value was the appraisal report prepared by Loman for the Madison County Board of Review. He estimated the subject property has a fair market value of $730,000 as of January 1, 2004. Furthermore, The Property Tax Appeal Board finds from its analysis of the record that the evidence in this appeal is no different from that of the prior year. The Board finds that no new probative evidence was timely submitted and the expanded testimony offered by Brendel does not warrant a change from the Board's previous year's findings. Thus, no reduction in the subject's assessment justified.

The Board finds both appraisers were in agreement as to the description of the subject property. The main divergence within the two appraisals is the method that each expert accounted for the subject's poor roof condition. The Board finds Loman's method of calculating the subject's fair market value considering it roof condition was better supported in accordance with acceptable appraisal practice and theory. With respect to the subject's roof condition, the Board finds Loman adequately supported the depreciation amount under the cost approach; allocated a reasonable amount in the reserves for replacement and developed a capitalization rate associated with higher risk given the subject's condition under the income approach; and placed primary emphasis on comparable sales that had varying degrees similarity of functional obsolescence, with greatest weight placed on a similar comparable sale with poor roof condition like the subject.

The Property Tax Appeal Board gave Brendel method of discounting the subject property's value due to its roof condition less weight. Although Brendal properly deducted for curable physical depreciation due to its roof condition under the cost approach, the Board finds the simplicity of deducting the lump sum amount for curable physical depreciation from the initial value conclusions under the sales and income approaches suspect. The more appropriate method would be adjusting the comparable sales and rentals to the subject based on the condition as well as considerations for other salient factors, which is more in accordance with acceptable appraisal practice and theory

The Property Tax Appeal Board finds this record contains three common comparable sales used by both appraisers. However, the Board placed less weigh on two comparables due to considerably larger or smaller size when compared to the subject. The Board further finds the remaining common comparable sale to be most representative of the subject. This property is an older industrial building located in an economically challenged community of Venice, Madison County, Illinois. The appraisers each recognized this property had a poor roof that was in a state of disrepair at the time of sale like the subject property. Furthermore, both Loman and Miller testified regarding their familiarity regarding this comparable, in that is suffers from functional obsolescence and ongoing roof problems. This comparable property sold in December 2001 for $850,000 or $7.45 per square foot of building area including land. The Property Tax Appeal Board further finds this comparable provides direct evidence of value in exchange for an older industrial building with documented deficiencies like the subject. The Board finds this common sale contained in both appraisal reports supports Loman's value conclusion of $730,000 or $9.00 per square foot of building area. In this same context, the Board finds this common sale clearly undermines Brendel's final value conclusion of $375,000 or $4.62 per square foot of building area.

The Property Tax Appeal Board finds the subject property has a market value of $730,000 as of January 1, 2005. The Board further finds $65,000 must be deducted to account for the value on the parcel that was not appealed, which results in a final market value of $665,000. The subject's assessment of $209,750 reflects an estimated market value of $628,559, which is less the final value of $665,000. Therefore, the Property Tax Appeal Board finds the board of review's assessment of the subject property is supported and no reduction is warranted.

DOCKET NO.: 05-00461.001-C-1

This is a final administrative decision of the Property Tax Appeal Board which is subject to review in the Circuit Court or Appellate Court under the provisions of the Administrative Review Law (735 ILCS 5/3-101 et seq.) and section 16-195 of the Property Tax Code.

Chairman

Member

Member

Member

Member

DISSENTING:

C E R T I F I C A T I O N

As Clerk of the Illinois Property Tax Appeal Board and the keeper of the Records thereof, I do hereby certify that the foregoing is a true, full and complete Final Administrative Decision of the Illinois Property Tax Appeal Board issued this date in the above entitled appeal, now of record in this said office.

Date: April 25, 2008

Clerk of the Property Tax Appeal Board

IMPORTANT NOTICE

Section 16-185 of the Property Tax Code provides in part:

"If the Property Tax Appeal Board renders a decision lowering the assessment of a particular parcel after the deadline for filing complaints with the Board of Review or after adjournment of the session of the Board of Review at which assessments for the subsequent year are being considered, the taxpayer may, within 30 days after the date of written notice of the Property Tax Appeal Board's decision, appeal the assessment for the subsequent year directly to the Property Tax Appeal Board."

In order to comply with the above provision, YOU MUST FILE A PETITION AND EVIDENCE WITH THE PROPERTY TAX APPEAL BOARD WITHIN 30 DAYS OF THE DATE OF THE ENCLOSED DECISION IN ORDER TO APPEAL THE ASSESSMENT OF THE PROPERTY FOR THE SUBSEQUENT YEAR.

Based upon the issuance of a lowered assessment by the Property Tax Appeal Board, the refund of paid property taxes is the responsibility of your County Treasurer. Please contact that office with any questions you may have regarding the refund of paid property taxes.